

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1321	Date: AUGUST 24, 2007
	Change Request 5711

SUBJECT: Sunset of the Physician Scarcity Area (PSA) Bonus Payment

I. SUMMARY OF CHANGES: Section 413(a) of the Medicare Modernization Act (MMA) requires Medicare to pay an additional 5-percent bonus to physicians rendering service in a designated PSA. The PSA bonus is payable for dates of service January 1, 2005 through December 31, 2007.

NEW / REVISED MATERIAL

EFFECTIVE DATE: *January 1, 2008

IMPLEMENTATION DATE: January 7, 2008

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	Chapter / Section / Subsection / Title
R	4/250.2.1/Billing and Payment in a Physician Scarcity Area (PSA)
R	4/250.2.2/Zip Code Files
R	4/250.3.2/Physician Rendering Anesthesia in a Hospital Outpatient Setting
R	12/90.5/Billing and Payment in a Physician Scarcity Area (PSA)

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2008 operating budgets.

IV. ATTACHMENTS:

**Business Requirements
Manual Instruction**

**Unless otherwise specified, the effective date is the date of service.*

Attachment - Business Requirements

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SUBJECT: Sunset of the Physician Scarcity Area (PSA) Bonus Payment

EFFECTIVE DATE: January 1, 2008

IMPLEMENTATION DATE: January 7, 2008

I. GENERAL INFORMATION

A. Background: Section 413(a) of the Medicare Modernization Act (MMA) requires Medicare to pay an additional 5 percent bonus to physicians rendering service in a designated PSA. Physician scarcity designations are based on the lowest primary care and specialty care ratios of Medicare beneficiaries to active physicians in every county or the lowest primary care and specialty care ratios of Medicare beneficiaries to active physicians in each identified rural census tract. The bonus payment is based on the amount actually paid, not the amount Medicare approved for each service.

B. Policy: The PSA bonus is payable for dates of service January 1, 2005 through December 31, 2007. The PSA bonus is not payable for dates of service after December 31, 2007.

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an “X” in each applicable column)										
		A / B M A C	D M E M A C	F I	C A R R I E R	D M E R C	R H H I	Shared-System Maintainers				OTHER
								F I S S	M C S	V M S	C W F	
5711.1	Contractors shall set the PSA termination date for the HPSA/Physician Scarcity Information to 123107.	X						X				
5711.2	Contractors shall set the PSA termination date for the Off-site Clinic Outpatient Department Zip Code and HPSA/PSA Eligibility Information to 123107.	X						X				
5711.3	Contractors shall set the PSA termination date for the AR modifier use eligibility information to 123107.	X						X				
5711.4	Contractors shall implement necessary systems changes to only allow payment of the PSA bonus payment based on the submission of the AR modifier for dates of service from 1/1/2005 through 12/31/2007.	X						X	X			
5711.4.1	The contractor shall implement these changes in such a way that further systems changes will not be necessary should CMS determine at a future date that the bonus will continue to be paid based on the AR modifier for dates of service on or after 1/1/2008.								X			
5711.5	Until further notice from CMS, contractors shall	X		X	X							

Number	Requirement	Responsibility (place an “X” in each applicable column)										
		A / B M A C	D M E M A C	F I	C A R R I E R	D M E R C	R H H I	Shared-System Maintainers				OTHER
								F I S S	M C S	V M S	C W F	
	continue to pay PSA bonuses only for dates of service 1/1/2005 through 12/31/07 whether the bonus is requested through submission of a modifier or is made through an automated payment based on ZIP code.											

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an “X” in each applicable column)										
		A / B M A C	D M E M A C	F I	C A R R I E R	D M E R C	R H H I	Shared-System Maintainers				OTHER
								F I S S	M C S	V M S	C W F	
5711.6	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X		X	X							

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

B. For all other recommendations and supporting information, use this space:

V. CONTACTS

Pre-Implementation Contact(s): FI/AB MAC Claims Processing Issues: Susan Guerin at susan.guerin@cms.hhs.gov or 410-786-6138 or Carrier Processing Issues: Cynthia Glover at Cynthia.Glover@cms.hhs.gov or 410 786-2589.

Post-Implementation Contact(s): Appropriate Regional Office

VI. FUNDING

A. For Fiscal Intermediaries, Carriers, and the Durable Medical Equipment Regional Carrier (DMERC):

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2008 operating budgets.

B. For Medicare Administrative Contractors (MAC):

The contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the contracting officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the contracting officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

250.2.1 - Billing and Payment in a Physician Scarcity Area (PSA)

(Rev. 1321; Issued: 08-24-07; Effective: 01-01-08; Implementation: 01-07-08)

Section 413a of the MMA 2003 requires that a new 5 percent bonus payment be established for physicians in designated physician scarcity areas. The payment should be made on a quarterly basis and placed on the quarterly report that is now being produced for the HPSA bonus payments.

Section 1861(r)(1), of the Act, defines physicians as doctors of medicine or osteopathy. Therefore, dentists, chiropractors, podiatrists, and optometrists are not eligible for the physician scarcity bonus as either primary care or specialty physicians. Only the primary care designations of general practice, family practice, internal medicine, and obstetrics/gynecology, will be paid the bonus for the zip codes designated as primary care scarcity areas. All physician provider specialties are eligible for the specialty physician scarcity bonus except the following: oral surgery (dentist only); chiropractic; optometry; and podiatry. The bonus is *payable for dates of service January 1, 2005 through December 31, 2007.*

One of the following modifier(s) must accompany the HCPCS code to indicate type of physician:

AG – Primary Physician

AF – Specialty Physician

Modifiers AG and AF are not required for dates of service on or after January 1, 2005. Modifier AR, physician providing services in a physician scarcity area, may be required for claims with dates of service on or after January 1, 2005 to receive the PSA bonus. Refer to §250.2.2 of this chapter for more information on when modifier AR is required.

There may be situations when a CAH is not located in a bonus area but its outpatient department is in a designated bonus area, or vice versa. If a CAH has an off-site outpatient department/clinic the off-site department's complete address, including the zip code, must be placed on the claim as the service facility. The FISS must look at the service facility zip code to determine if a bonus payment is due.

For electronic claims, the service facility address should be in the 2310E loop of the 837I. On the hard copy UB-04 the address should be placed in "Remarks"; however, the zip code placement will be determined by the FI.

250.2.2 - Zip Code Files

(Rev. 1321; Issued: 08-24-07; Effective: 01-01-08; Implementation: 01-07-08)

The CMS shall provide a file of zip codes for payment for the primary care and specialty physician scarcity bonus. The file will be effective for claims with dates of service January 1, 2005 *through December 31, 2007.* Contractors will be notified by e-mail of the name of the file and when it will be available for downloading.

Prior to January 1, 2005, CMS will post on its Web site zip codes that are eligible for the bonus payment. Through regularly scheduled bulletins and list serves, intermediaries must notify the CAH to verify their zip code eligibility via the CMS Web site.

Effective January 1, 2005, the HPSA bonus designations will be updated annually and will be effective for services rendered with dates of service on or after January 1 of each calendar year beginning January 1, 2005 through December 31, 2005. Once the annual designations are made, no interim changes will be made to account for HRSA updates to designations throughout the year. (Effective January 1, 2005, CAHs will no longer have to notify the FI of their HPSA designation). Designations of new HPSAs during a calendar year will be included in the next annual update. However, should a CAH become designated as a HPSA area after the annual update through the HRSA Web site or other method of notification, the bonus payment can be made for qualified physician services. The CAH will have to notify the intermediaries of their change in status.

The contractors and standard systems will be provided with a file at the appropriate time prior to the beginning of the calendar year for which it is effective. This file will contain zip codes that fully and partially fall within a HPSA bonus area for both mental health and primary care services. After the implementation of this new process, a recurring update notification will be issued for each annual update. Contractors will be informed of the availability of the file and the file name via an email notice.

Contractors will automatically pay bonuses for services rendered in zip code areas that: 1) fully fall within a designated primary care or mental health full county HPSA; 2) are considered to fully fall in the county based on a determination of dominance made by the United States Postal Service (USPS); or 3) are fully within a non-full county HPSA area. Should a zip code fall within both a primary care and mental health HPSA, only one bonus will be paid on the service. Bonuses for mental health HPSAs will only be paid when performed by psychiatrists.

For services rendered in zip code areas: 1) that do not fall within a designated full county HPSA; 2) are not considered to fall within the county based on a determination of dominance made by the USPS; or 3) are partially within a non-full county HPSA, the CAH must still submit a QB or QU modifier to receive payment for claims with dates of service prior to January 01, 2006. Effective for claims with dates of service on or after January 01, 2006, the modifier AQ, Physician providing a service in a Health Professional Shortage Area (HPSA), must be submitted. To determine whether a modifier is needed, the CAH must review the information provided on the CMS Web site for HPSA designations to determine if their location is, indeed, within a HPSA bonus area.

For service rendered in zip code areas that cannot automatically receive the bonus, it will be necessary to know the census tract of the area to determine if a bonus should be paid and a modifier submitted. Census tract data can be retrieved by visiting the U.S. Census Bureau Web site at www.Census.gov.

For services with dates of service prior to January 1, 2005, CAHs must indicate that the services were provided in an incentive-eligible rural or urban HPSA by using one of the following modifiers:

- QB - physician providing a service in a rural HPSA; or
- QU - physician providing a service in an urban HPSA.

The required format for the quarterly report:

Quarterly HPSA and Scarcity Report for CAHs

Provider Number	Beneficiary HICN	DCN	Rev. Code	HCPCS	LIDOS	Line Item Payment Amount	10% of Line Payment Amount	5% of Line Payment Amount
123456 (Effective May 23, 2007 this number will be for CMS use only. FIs are required to use the providers NPI.) 1122334455	Abcdefghijk	xxxxxxxxxx	xxx	12345	3/2/03	\$1000.00	\$100.00	\$50.00
789012 (Effective May 23, 2007 this number will be for CMS use only. FIs are required to use the providers NPI.) 2233445566	Lmnopqrstu		xxx	67890	10/30/02	\$5378.22	\$537.82	\$268.91

Use the information in the Professional Component/Technical Component (PC/TC) indicator field of the CORF extract of the Medicare Physician Fee Schedule Supplementary File to identify professional services eligible for HPSA and physician scarcity bonus payments. The following are the rules to apply in determining whether to pay the bonus on services furnished within a geographic HPSA billed with a QB or QU modifier for dates of service prior to January 01, 2006 or the AQ modifier for services on or after January 01, 2006, and/or whether to pay the bonus on services furnished within a Physician Scarcity Area with the AR modifier effective for dates of service January 01, 2005 *through December 31, 2007*.

(Field 20 on the full MPFS file layout)

PC/TC Indicator	Bonus Payment Policy
0	Physician services. The concept of PC/TC does not apply since physician services cannot be split into professional and technical components. ACTION: Pay the bonus
1	Globally billed. Only the professional component of this service qualifies for the bonus payment. The bonus cannot be paid on the technical component of globally billed services. ACTION: Return the service as unprocessable and notify the CAH that the professional component must be re-billed if it is performed within a qualifying bonus area. If the technical component is the only component of the service that was performed in the bonus area, there wouldn't be a qualifying service.
1	Professional Component (modifier 26). ACTION: Pay the bonus.
1	Technical Component (modifier TC). ACTION: Do not pay the bonus.
2	Professional Component only. ACTION: Pay the bonus.
3	Technical Component only. ACTION: Do not pay the bonus.
4	Global test only. Only the professional component of this service qualifies for the bonus payment. ACTION: Return the service as unprocessable. Instruct the provider to re-bill the service as separate professional and technical component procedure codes.
5	Incident to codes. ACTION: Do not pay the bonus.
6	Laboratory physician interpretation codes. ACTION: Pay the bonus
7	Physical therapy service.

PC/TC Indicator	Bonus Payment Policy
	ACTION: Do not pay the bonus.
8	Physician interpretation codes. ACTION: Pay the bonus.
9	Concept of PC/TC does not apply. ACTION: Do not pay the bonus.

NOTE: Codes that have a status of “X” on the CORF extract Medicare Physician Fee Schedule Database (MFSDB) have been assigned PC/TC indicator 9 and are not considered physician services for MFSDB payment purposes. Therefore, neither the HPSA bonus nor the physician bonus payment (5 percent) will be paid for these codes.

250.3.2 – Physician Rendering Anesthesia in a Hospital Outpatient Setting

(Rev. 1321; Issued: 08-24-07; Effective: 01-01-08; Implementation: 01-07-08)

When a medically necessary anesthesia service is furnished within a HPSA area by a physician, a HPSA bonus is payable. In addition to using the PC/TC indicator on the CORF extract of the MPFS Summary File to identify HPSA services, pay physicians the HPSA bonus when CPT codes 00100 through 01999 are billed with the following modifiers: QY, QK, AA, or GC and “QB” or “QU” in revenue code 963. *Modifier QB or QU must be submitted to receive payment of the HPSA bonus for claims with dates of service prior to January 01, 2006. Effective for claims with dates of service on or after January 01, 2006, the modifier AQ, physician providing a service in a health professional shortage area, may be required to receive the HPSA bonus. Refer to §250.2.2 of this chapter for more information on when modifier AQ is required.*

The modifiers signify that a physician performed an anesthesia service. Using the Anesthesia File (See Section above) the physician service will be 115 percent times the payment amount to be paid to a CAH on Method **II** payment plus 10 percent HPSA bonus payment.

Anesthesiology modifiers:

AA = anesthesia services performed personally by anesthesiologist.

GC =service performed, in part, by a resident under the direction of a teaching physician.

QK = medical direction of two, three, or four concurrent anesthesia procedures involving qualified individuals.

QY = medical direction of one CRNA by an anesthesiologist.

Modifiers AA and GC result in physician payment at 80% of the allowed amount.

Modifiers QK and QY result in physician payment at 50% of the allowed amount.

Data elements needed to calculate payment:

- HCPCS plus Modifier,
- Base Units,
- Time units, based on standard 15 minute intervals,
- Locality specific anesthesia Conversion factor, and
- Allowed amount minus applicable deductions and coinsurance amount.

Formula 1: Calculate payment for a physician performing anesthesia alone

HCPCS = xxxxx

Modifier = AA

Base Units = 4

Anesthesia Time is 60 minutes. Anesthesia time units = 4 (60/15)

Sum of Base Units plus Time Units = 4 + 4 = 8

Locality specific Anesthesia conversion factor = \$17.00 (varies by localities)

Coinsurance = 20%

Example 1: Physician personally performs the anesthesia case

Base Units plus time units - 4+4=8

Total units multiplied by the anesthesia conversion factor times .80

8 x \$17= (\$136.00 – (deductible*) x .80 = \$108.80

Payment amount times 115 percent for the CAH method II payment.

\$108.80 x 1.15 = \$125.12 (Payment amount)

\$125.12 x .10 = \$12.51 (HPSA bonus payment)

*Assume the Part B deductible has already been met for the calendar year

Formula 2: Calculate the payment for the physician's medical direction service when the physician directs two concurrent cases involving CRNAs. The medical direction allowance is 50% of the allowance for the anesthesia service personally performed by the physician.

HCPCS = xxxxx

Modifier = QK

Base Units = 4

Time Units 60/15=4

Sum of base units plus time units = 8

Locality specific anesthesia conversion factor = \$17(varies by localities)

Coinsurance = 20 %

(Allowed amount adjusted for applicable deductions and coinsurance and to reflect payment percentage for medical direction).

Example 2: Physician medically directs two concurrent cases involving CRNAs

Base units plus time - 4+4=8

Total units multiplied by the anesthesia conversion factor times. 50 equal allowed amount minus any remaining deductible

$$8 \times \$17 = \$136 \times .50 = \$68.00 - (\text{deductible}^*) = \$68.00$$

Allowed amount Times 80 percent times 1.15

$$\$68.00 \times .80 = \$54.40 \times 1.15 = 62.56 \text{ (Payment amount)}$$

$$\$62.56 \times .10 = \$6.26 \text{ (HPSA bonus payment)}$$

*Assume the deductible has already been met for the calendar year.

90.5 – Billing and Payment in a Physician Scarcity Area (PSA)

(Rev. 1321; Issued: 08-24-07; Effective: 01-01-08; Implementation: 01-07-08)

Section 413a of the MMA requires that a 5 percent bonus payment be established for physicians in designated physician scarcity areas *for dates of service January 1, 2005 through December 31, 2007*. Physician scarcity designations will be based on the lowest primary care and specialty care ratios of Medicare beneficiaries to active physicians in every county. In addition, based on rural census tracts of metropolitan statistical areas identified through the latest modification of the Goldsmith Modification (i.e., Rural-Urban Commuting Area Codes), additional physician scarcity areas will be identified based on the lowest primary care and specialty care ratios of Medicare beneficiaries to active physicians in each identified rural census area.